



**COMPLIANCE UPDATE**  
**By Kim Slote, policy analyst**

**STANDARDS OF ADMINISTRATIVE CAPABILITY**

Administrative capability is defined by the USDE as “The ability an institution must demonstrate in providing the education it promises and properly managing the FSA programs.” An important aspect of this requirement is designating a “capable” individual to be responsible for administering all the Title IV, HEA programs in which an institution participates and for coordinating those programs with the institution's other Federal and non-Federal programs of student financial assistance. The USDE considers an individual to be capable if the individual has successfully completed Title IV, HEA program training provided or approved by the USDE and has previous experience and documented success in administering the Title IV, HEA programs properly. The State of Missouri does not require certification of financial aid administrators; however, an individual is considered to be capable if they are certified by the State in which their institution is located. The standards of administrative capability regulations are set forth in [34 CFR 668.16](#).

**Adequate Staff**

The USDE 2014 Top Ten list for findings in program reviews included “lack of administrative capability”. If an institution is having difficulty with meeting standards of administrative capability, it may be the result of inadequate staffing or training. To properly manage student aid programs at an institution, a financial aid administrator must be supported by an adequate number of professional and clerical staff. Per Federal Regulation 34 CFR 668.16 (b)(2), several factors should be considered in determining an adequate number of staff members, to include:

- The number and types of programs in which the institution participates
- The number of applications evaluated and processed
- The number of students who receive any student financial assistance at the institution and the amount of funds administered
- The type of financial aid delivery system the institution uses
- The degree of office automation used by the institution in the administration of the Title IV, HEA programs
- The number and distribution of financial aid staff



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- The use of third-party servicers to aid in the administration of the Title IV, HEA programs

What one institution finds adequate another institution may find insufficient. To determine the appropriate number of staff members you will need, it may be necessary to analyze your student population. Which students require the most attention from your financial aid staff? What is the average time spent with each student? How many students are enrolled in each category? This type of information can help you justify the need for additional staff to your institution's administration.

### **System of Checks and Balances**

It is very important to have the proper number of trained staff members to ensure there is an adequate system of internal checks and balances. At the minimum, this system must separate the functions of authorizing payment and disbursing or delivering funds so no individual or office exercises both functions for any student receiving FSA Funds. Also, these two functions must not be performed by members of the same family or those that together exercise substantial control over the institution. Even small institutions with limited staff must comply with these requirements.

The USDE determines on a case-by-case basis whether an institution has an adequate number of qualified personnel, based on program reviews, audits, and information provided on the institution's application for approval to participate in the FSA programs. More information on standards of administrative capability requirements can be found in the [2015-2016 Federal Student Aid Handbook, Volume 2, Chapter 3](#) and the [2013 Blue Book, Volume 1, Chapter 3](#).